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Market and Trade Data

Finland Warming Up to Beer and Wine Sales

The Finnish government traditionally has used high taxes to limit alcohol consumption for its citizenry — taxation of its domestic beer production is the highest in the EU (European Union). Despite taxation policy, alcoholic beverage consumption has risen steadily over the past 20 years.

In 2004, the government tax rates for alcohol and alcoholic beverages in Finland were reduced an average 33 percent. The cut aimed to adjust prices so that consumers would be less inclined to purchase alcoholic beverages from abroad. This reduction was weighted in favor of spirits, and the effect on the price of beer was much less than first expected.

The Finnish government's long-term goal is to direct the consumption to milder beverages, such as wine and beer; according to the industry, the beer tax is still too high and should be halved. Sales of "strong" domestic beer sales have declined due to increased private imports, and sales of beers with less than 4.7 percent alcohol content have taken off and now make up 90 percent of sales.

Wine sales have also benefited from recent market trends at the expense of higher alcohol-level drinks, and prosperous Finns are increasingly enjoying a glass of wine or beer with dinner.

Good Beer, Long Tradition

Finland's highly regarded domestic beer production tops 400 million liters (1 liter = 1.0567 quarts) a year; annual beer consumption exceeds 460 million liters — half the total alcoholic beverages consumed.

At 80 liters per person a year, consumption is near the European average. Finns do have a preference for light lagers in cans, but darker varieties have gained popularity in recent years.

Door Opened for Beer Imports

With the reduced taxes of the past two years in effect and intense price wars among retailers, favorable market conditions exist for imports. While the domestic tax cuts have encouraged consumption of milder domestic beers, Finns are still acquiring strong beer via tax-free private imports. When Estonia joined the EU in May 2004, Finns began transporting beers over the border from this neighbor. In 2005, it is estimated that 42 million liters entered Finland tax-free from this source.

Wine Consumption Growing Most

Wines make up just 15 percent of total alcohol consumed, but have averaged a 6-percent annual growth rate since 1998. Not traditionally having a wine-drinking culture, Finns are discovering new wines and often purchase gift wines for special events. Though price is always a consideration, a focus on quality is reflected in the growing interest in origin, grape composition, and quality designations.

With sales at $8 million in calendar year 2005, U.S. wines are becoming more

Chilean Wines Edge Out French In Finnish Market

	2003	2004	2005
	Calendar years		
	Million Liters		
Chile	6.5	7.3	7.8
France	7.7	7.4	7.0
Spain	8.1	7.2	6.9
South Africa	4.9	5.4	5.5
Italy	4.8	4.2	4.2
Australia	1.4	2.0	2.8
Finland	3.5	2.7	2.6
Germany	2.1	2.1	2.4
United States	1.5	2.0	2.1
Argentina	0.8	1.3	2.0
Hungary	2.5	2.1	1.8
Others	2.8	2.6	2.6

popular, and Finland could become a thriving niche market for U.S. suppliers.

EU products, especially from France, Italy, and Spain, enjoy a competitive advantage and together still dominate the wine market in Finland. However, they are losing market share to new world producing countries such as Argentina, Australia, Chile, and South Africa.

Reds comprise 75 percent (23.3 million liters) of wholesale volumes. Total wine consumption reached 45 million liters in 2005, with Chile leading with 9.9 million liters (22 percent of the market share), France supplying 7 million liters, and Spain closely following at 6.9 million.

Market Entry Via Alko and Private Company

Alko Oy still dominates alcohol sales in the country. Following Finland's accession to the EU in 1995, Alko's monopoly was relinquished on importing, wholesaling, production, and exporting of spirits. Now more restaurants and caterers import directly.

By regulation, Alko still handles all retail sales of wines, beers, and spirits containing more than 4.7 percent alcohol. Its outlets supply more than 88 percent of total domestic wine sales, with the remaining 12 percent sold through restaurants.

Since beers with alcohol content of 4.7 percent or less can now be sold retail, retailers accounted for 76 percent of sales in this category; restaurants sold another 21 percent; and Alko trailed at 3 percent in 2005. The German retail chain Lidl leads in sales with 20 million liters sold annually.

About 200 companies are licensed to import and store alcoholic beverages. They are categorized as the duty-free market (international airports, airlines, and ferry lines), central purchasers for restaurants, and, of course, Alko.

As a member of the EU, Finland's alcoholic beverages are subject to a tax based on alcohol content, a surcharge for products in retail sale containers, and a value-added tax. Finland applies EU wine and beer labeling rules. Taxes range from 4.5 cents to $2.12 per liter of wine and from 1.68 cents to 19.45 cents per liter of beer.

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